

# Revenue Estimates

## Fiscal Year 2004 Revenue

Michigan's economy continued to be weak in FY 2004 as was reflected in revenue growth. On a Consensus basis, FY 2004 General Fund-General Purpose (GF-GP) revenue grew just 1.0 percent to \$8,042.0 billion. School Aid Fund (SAF) revenue declined by 0.9 percent in FY 2004 to \$10,615.1 million. However, SAF revenues were increased in FY 2003 by \$450 million due to the one-time shift in state education tax payments. Without this payment shift, FY 2004 SAF revenues would have been 3.4 percent higher than FY 2003.

## Fiscal Year 2005 and Fiscal Year 2006 Revenue Estimates

On January 13, 2005, the Administration and the House and Senate Fiscal Agencies reached a consensus on projected revenues for FY 2005 and FY 2006. Agreement was reached on baseline revenue forecasts and on the effect of enacted tax cuts. The January 2005 Consensus revenue estimates are used for the Governor's *Executive Budget*. The economic and revenue forecasts will be reviewed again at the May consensus conference before the final budget bills are passed by the legislature.

A number of factors contribute to slower GF-GP growth in FY 2005, including changes in the earmarking of the tobacco tax, the continued phase-out of the estate tax, and the final cut in the income tax rate. For FY 2005, GF-GP revenues on a Consensus basis are forecast to decline by 2.1 percent to \$7,869.8 million. After factoring in proposed tax changes and other budget measures, total GF-GP revenue is expected to be \$8,517.3 million. On a Consensus basis, net FY 2005 SAF revenue is expected to grow 2.5 percent to \$10,878.8 million. Including transfers, federal aid, and other budget measures, FY 2005 SAF revenue will total \$12,536.1 million.

FY 2006 GF-GP revenue will total \$8,156.2 million on a Consensus basis, a 3.6 percent increase over FY 2005. After factoring in proposed tax changes and other budget measures, total GF-GP revenue is expected to be \$8,878.8 million. On a Consensus basis, net FY 2006 SAF revenue is expected to increase by 3.9 percent to \$11,300.9 million. After factoring in proposed changes, federal aid, transfers, and other budget measures, SAF revenue will total \$12,785.6 million.

## Overall FY 2006 Revenue

Total net revenue for all funds is estimated to be \$40.7 billion in FY 2006. A summary of revenues by fund is presented on page E-8. The Detailed Statement of General and Special Revenue Funds presents information for FY 2003 through FY 2006.